

PBTS
ACCOUNTING
& TAX SERVICE
CROSS BORDER
TAXES

Talk to us to find out more info



Canada & U.S. Taxes

Canadian citizen living in the U.S.?

If you're a Canadian citizen living in the U.S., you do not have any U.S. income sources and live in US less than 183 days, you may not need to file a US tax return. We can help you to file your 8840 Closer Connection Exception Statement to demonstrate your ties are closer to Canada than to the U.S.

Canadian resident working in the U.S.?

If you're a resident of Canada but work in the United States, the Canada-US Tax Treaty provides special rules to determine how you are taxed. Provided you're not a U.S. citizen, you will be exempt from U.S. taxation on

employment income earned in the United States if either of the following conditions are met:

- Your US employment income does not exceed \$10,000 USD,
- You are present in the United States for less than 184 days in any 12-month period beginning or ending in the fiscal year concerned, and your remuneration is not paid by, or on behalf of, a person who is a resident in the United States and is not borne by a permanent establishment in the United States.

If you do not meet either of the above, you must pay U.S. federal and, if applicable, state income tax in the United States on your U.S. source wages (income is sourced to the jurisdiction where the services are performed, not where you're paid from). You will also have to report this income on your Canadian tax return. To avoid double taxation, you will generally be allowed to claim a foreign tax credit on your Canadian return for any tax you pay to the United States.

Canadian residents with rental income from a U.S. property?

You're normally subject to a US withholding tax of 30% of the gross amount of any rent paid. As an alternative, you can elect to pay tax on the U.S. rental income you receive on a NET basis. In this case, you must file a U.S. Tax Return at the end of the year, reporting your NET Rental Income. By making this election with the IRS and providing appropriate information to the tenant, the 30% withholding tax is not required. Once you make this election, it is permanent and can only be revoked in limited circumstances. In addition, unlike Canadian tax rules, depreciation is a mandatory deduction in

the U.S. If you don't file a Return, you're still deemed to have claimed depreciation and could be subject to recapture. Failure to file a Tax Return also reduces your ability to carry forward passive activity losses since the IRS has no record of them. As a result, on a subsequent sale of the property, you would have a taxable income inclusion in the form of recapture with no offsetting loss carry-forward.



Canadian residents that are selling U.S. property?

Effective February 16, 2016, U.S. Federal legislation has increased the withholding tax rate to 15% of the gross proceeds on the sale of U.S. property if you are not a U.S. citizen. There are certain exceptions to this rule. For example, this withholding won't apply if the property is sold for less than \$300,000 USD and the purchaser intends to use the property as a residence. If the property is sold for an amount greater than \$300,000 but less than \$1,000,000 and the property is being purchased with the intention of being used as the purchaser's residence, then the sale will only be subject to a 10% withholding tax. You can apply to the IRS to have the withholding tax reduced if the expected tax liability on the sale will be less than 15% of the sale price. Regardless of the amount of withholding tax, the gain on the sale of any U.S. property is still taxable in the United States and a U.S. Tax Return must be filed. The 15% withholding is applied against the tax balance owing. If the tax is less than the 15% withheld, you should receive a refund for the difference. You must apply for a US Individual Taxpayer Identification Number (ITIN) as part of the withholding tax process to ensure the tax is properly credited to your account with the IRS.



Cross Border Taxes

U.S. Citizens living in Canada

U.S. citizens and green card holders must file a 1040 form every year if they meet income threshold requirements. You may also be subject to additional U.S. tax reporting if you own or are a beneficiary of Canadian mutual funds, TFSAs, RESPs, RRSPs or RPPs. Based on U.S. and Canada treaty benefits, you may be able to claim a foreign tax credit on your U.S. return for taxes you paid to Canada or take the advantage of Earned Income Exclusion.

Personalized Bookkeeping & Tax Service has worked with Canadian and U.S. citizens to prepare their annual 1040, NR 1040 and T1 Generals. We will work with you to ensure you comply with all relevant tax requirements and that your Cross borders taxes are done right the first time. We help individuals avoid double-taxation while minimizing overall taxes payable, saving you time and money.

Who We Are

About Us

For over 30 years, PBTs has provided professional and affordable income tax preparation services for both personal taxes as well as business taxes. Whether you are thinking of starting your own company or are looking for a new accounting firm, we are ready to help!

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